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LIVES

Safeguarding food security and building resilience: an overview of WFP-supported Risk Financing programmes

Scaling up risk financing solutions through integrated and risk-layered approaches

The impacts of the climate crisis are intensifying, with its most severe effects being felt by the world's most vulnerable communities—those who have contributed the least to its causes. Smallholder farmers, pastoralists, and small and medium-sized entrepreneurs are increasingly facing extreme weather events such as droughts, floods and storms, with limited access to financial tools to help them manage these challenges. Given the severe effects of the climate crisis, WFP recognises the need to expand risk financing solutions that provide financial protection to communities against climate-induced losses and damages, helping to prevent them from falling into hunger and food insecurity.

Since 2008, WFP has enabled food-insecure communities to access financial protection through risk financing solutions, including climate risk insurance. These instruments enable governments and communities to better manage climate shocks by providing timely resources that support early responses and faster recovery, while reinforcing the ability to cope with future disruptions.

WFP's risk financing programmes focus on two workstreams: [inclusive risk financing](#) and [macro-](#)

[level risk financing](#). At the community level, WFP is integrating insurance and other financial instruments with activities that strengthen resilience and reduce vulnerability to external shocks. At the regional and national level, WFP is mobilizing risk financing through partnering with regional risk pools to support insurance policies that provide funding for early disaster response when a catastrophic climate shock triggers a payout, as well as integrating other risk financing solutions, such as contingency funds.

Our action in 2023

In 2023, WFP supported **5.1 million vulnerable people in 27 countries** to access climate risk insurance protection, with **financial coverage totalling nearly US\$300 million**. In areas affected by drought, floods and tropical cyclones, **US\$17.8 million in payouts enabled WFP to assist nearly 800,000 people** – an increase of US\$3 million from 2022. Below is an overview of how WFP-supported risk financing solutions provided financial protection to our beneficiaries in 2023. For more detailed information please refer to the [2023 Climate Risk Insurance Annual Report](#).

November 2024

Macroinsurance



2.5 million people protected by macro-level insurance during the 2022/23 season



Total value of premium amounts to **US\$9.2 million**



Over **US\$62.6 million** in financial coverage



Over **617,000** people received WFP assistance funded by macroinsurance payouts in 2023



US\$15.7 million in insurance payouts triggered during the 2022/23 season, of which **US\$13.1 million** was transferred to beneficiaries in 2023.

Inclusive insurance



Over **2.5 million** people covered by inclusive and/or meso-level insurance in 2023



Total value of premium amounts to nearly **US\$12.9 million**



Over **US\$235 million** in financial coverage, including over **US\$177 million** in indirect coverage through technical assistance



Over **205,000** people benefiting from inclusive insurance payouts distributed in 2023



Over **US\$2.1 million** in insurance payouts distributed in 2023

Financial Inclusion



Nearly **300,000** participants engaged in financial inclusion initiatives in countries where WFP implements climate risk insurance programmes



70 percent of participants are **women**



Over **US\$1.8 million** saved by participants of financial inclusion programmes in countries where WFP implements climate risk insurance programmes



US\$2 million of loans accessed by financial inclusion initiative participants in countries where WFP implements climate risk insurance programmes

Inclusive Risk Financing

WFP helps vulnerable households, to manage climate-related risks, such as droughts, floods and storms and reduce vulnerabilities using an integrated set of risk management strategies that include access to inclusive insurance, risk reduction measures and financial services. These tools complement each other and provide support for different risk severity levels, enabling individuals to manage a variety of risks.

The R4 Rural Resilience Initiative (R4) is WFP's approach for integrated climate risk management that combines four strategies that contribute to: **reducing** the impact of climate shocks through nature-based solutions and improved agricultural

practices; **transferring the risk** of potentially catastrophic climate hazards to private insurance markets; enabling better **risk retention** of households and communities through the promotion of group savings and integration with social protection systems; and promoting **prudent risk taking** through a combination of financial education, livelihoods diversification, and easier access to credit to enable better investments. In 2023, R4 reached over **550,000** vulnerable households and their families in **18 countries** in Africa, Asia and Latin America and the Caribbean, positively impacting households through improving their food security, food consumption and their capacities to respond to and recover from climate-related shocks.

To ensure the protection of farmers against the varying severities and frequencies of climate risks, WFP is actively promoting the adoption of a risk-layering model through the **Savings and Insurance Layering (SAIL) approach**.

This approach entails a unique combination of insurance and savings, offering dual benefits to farmers. SAIL utilizes a double-trigger product design, whereby the climate risk insurance component aims to provide protection against infrequent but severe events, while the savings component aims to offer support to farmers during more frequent and less severe events.

WFP-SUPPORTED INCLUSIVE INSURANCE PROGRAMMES

Countries where WFP provides support through direct engagement on product design, implementation and premium payment: Bangladesh, Burkina Faso, Cuba, El Salvador, Ethiopia, Guatemala, Haiti, Ivory Coast, Kenya, Kyrgyz Republic, Madagascar, Malawi, Mozambique, Nicaragua, Senegal and Zimbabwe.

Countries where WFP provides technical assistance to governments: Democratic Republic of Congo and Zambia.

Macro-level Risk Financing

WFP is directly purchasing and contributing premium for governments to purchase insurance products that can offer rapid finance for WFP and government response operations to support affected communities after major disasters. Macro-level insurance is one approach where WFP partners with national governments and regional risk pools to purchase an insurance product or top-up the premium of the government partners' existing insurance policies to enable finance to be channelled through government-owned shock responsive social protection systems or to finance WFP's assistance when a climate shock triggers a payout.

At present, WFP works with three regional risk pools, specifically the African Risk Capacity (ARC) Ltd, the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC) in Latin America and the Caribbean, and the Pacific Catastrophe Risk Insurance Company (PCRIC) in the island nations of the Pacific.

ARC REPLICA: In 2023, WFP protected **1.8 million**

people in Burkina Faso, Mali, Madagascar, Mauritania, Mozambique, Sudan, The Gambia, Zambia and Zimbabwe from catastrophic drought and tropical cyclone through ARC Replica, with financial protection totalling over **US\$48 million**.

Following droughts and cyclones, WFP received over US\$15.7 million in insurance payouts, including US\$7 million in Burkina Faso, US\$8 million in Mali, US\$187,600 in The Gambia and US\$300,000 in Madagascar. The payouts allowed WFP to reach over 137,000 people in Burkina Faso and 6,500 people in the Gambia with cash-based transfers. In Mali, WFP reached over 50,000 people with cash-based transfers, nearly 250,000 with social protection top-ups and 24,000 children and pregnant and lactating women with nutrition supplementation. In Madagascar, WFP provided cash transfers to over 33,000 people to meet their food needs after Cyclone Freddy.

CCRIF SPC: In the Caribbean, in 2023, WFP topped-up macro insurance premiums for Belize, Dominica, and St Lucia, through CCRIF SPC. In Dominica, WFP provided premium support of US\$200,000 to top-up the Tropical Cyclone policy, providing an additional coverage of US\$5.5 million, protecting over 40,000 people. In Belize, WFP's top-up of US\$100,000 provided coverage of over US\$749,000, protecting 5,132 people against severe tropical cyclones and excess rainfall events. In St Lucia, the top-up of US\$100,000 increased coverage by US\$2.3 million protecting 17,000 people. In Nicaragua, WFP topped-up macro insurance premiums with over US\$240,000 for the earthquake and tropical cyclone policies for the 2023/2024 season, increasing coverage by US\$5.4 million for over 660,000 people. In 2022/23, following Hurricane Julia, CCRIF SPC disbursed US\$8.9 million in insurance payouts

WFP-SUPPORTED MACROINSURANCE PROGRAMMES

Countries where WFP directly purchased a policy: Burkina Faso, Madagascar, Mali, Mauritania, Mozambique, The Gambia, Sudan, Zambia, and Zimbabwe.

Countries where WFP provided a top-up to the government's policy: Belize, Dominica, Nicaragua, St Lucia.

Countries with a trigger-based contingency layer: Madagascar and Zimbabwe.

Countries where WFP is expanding in 2024: Pacific Small Island Developing States, Somalia.

to the Government of Nicaragua. WFP received nearly US\$640,000 of this payout, which was used to establish and improve school gardens and deliver fruit trees to farming families, improving food security for over 120,000 people in 600 rural and urban schools in coordination with local authorities.

PCRIC: In 2023, WFP started to build a partnership with PCRIC and in 2024, WFP will work closely with PCRIC and government partners to increase coverage in the region and improve 'money out' systems in the pilot countries so payouts can reach affected people as swiftly as possible.

To effectively address different levels of risks at the macro level, WFP is adopting a risk-layering approach, whereby it will integrate insurance solutions for less frequent, more extreme risks with complementary risk financing tools to address more frequent, less severe shocks, or shocks that are severe on a local level but would not trigger the macro insurance policy at the national level.

In 2023, an **index-based contingency fund** has been designed by WFP, together with ARC Ltd. The fund will be able to trigger for drought events that reach a one in four-year return period in a single locality, whereas the ARC Replica

insurance will trigger when a one in four-year event is reached on a national scale. This will be piloted in 2024 in Mali, Mauritania, Zimbabwe and Madagascar. In 2024, WFP will also pilot a **regional catastrophic insurance layer** in West Africa, covering Burkina Faso, Mali and Niger. This initiative will optimize coverage in the case of an extreme drought (severity of more than one in 10-year) and complement existing risk financing tools at the national levels.

The way forward

In 2024 and beyond, WFP plans to expand the reach and coverage of its climate risk financing portfolio in Africa and intensify its work with regional risk pools in the Pacific and Caribbean regions. Due to risk financing initiatives having the potential to serve as catalysts for women's economic empowerment and resilience-building efforts, WFP will also endeavour to cultivate scalable and sustainable risk financing programmes that empower women, foster resilience and create transformative change within communities worldwide. Following through on its commitments to ramp up climate protection in fragile contexts, WFP will pilot the use of climate risk financing for countries affected by conflict and will generate evidence about the layering of climate and disaster risk financing solutions to optimize the use of limited resources.

